

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Quincy Fire Association	County Branch
Fiscal Year End March 31, 2007	Opinion Date July 27, 2007	Date Audit Report Submitted to State August 23, 2007	

We affirm that:

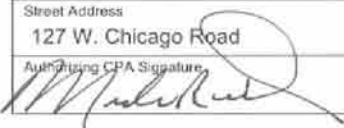
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-------------------------------------|--------------------------|---|
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 4. The local unit has adopted a budget for all required funds. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 5. A public hearing on the budget was held in accordance with State statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 8. The local unit only holds deposits/investments that comply with statutory requirements. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 11. The local unit is free of repeated comments from previous years. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 12. The audit opinion is UNQUALIFIED. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 14. The board or council approves all invoices prior to payment as required by charter or statute. |
| <input checked="" type="checkbox"/> | <input type="checkbox"/> | 15. To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>	SAS 112 letter on internal controls.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.		Telephone Number 269-651-3228	
Street Address 127 W. Chicago Road		City Sturgis	State MI
		Zip 49091	
Authorizing CPA Signature 		Printed Name Michael R. Wilson CPA	License Number 1101017570

QUINCY FIRE ASSOCIATION
BRANCH COUNTY, MICHIGAN

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

MARCH 31, 2007

QUINCY FIRE ASSOCIATION

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INDEPENDENT AUDITOR'S REPORT

Members of the Board
Quincy Fire Association

We have audited the accompanying financial statements of the governmental activities and the major fund of the Quincy Fire Association, Michigan, as of and for the year ended March 31, 2007, which collectively comprise the Association's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Quincy Fire Association management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Quincy Fire Association, as of March 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

Norman & Paulsen, P.C.

July 27, 2007

QUINCY FIRE ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Quincy Fire Association financial performance provides an overview of the Association's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Association's financial statements.

Financial Highlights

The Association's overall financial position increased by \$13,435 during the fiscal year ended March 31, 2007, which represents 2.7 percent of the net asset position at the beginning of the year.

The Association's Governmental Funds reflected a total fund balance at March 31, 2007 of \$53,756, which was an increase of \$24,548 from the prior year end.

The total Governmental Fund expenditures for the year ended March 31, 2007, amounted to \$161,135, of which \$155,436 were funded from intergovernmental support and \$24,636 from contributions.

Using This Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Association as a whole and present a longer-term view of the Association's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the supporting governmental units have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the supporting governmental units' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Association's operations in more detail than the government-wide financial statements by providing information about the Association's most significant funds.

QUINCY FIRE ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Association as a Whole

The following table shows, in a condensed format, the net assets as of the current year end and compared to the prior year end under the modified accrual basis of accounting:

	Governmental Funds	
	2007	2006
Assets	\$ 56,234	\$ 47,976
Liabilities	2,478	18,768
Fund Balance	<u>\$ 53,756</u>	<u>\$ 29,208</u>

The following table shows, in a condensed format, the net assets of the current year end and compared to the prior year end as required by GASB 34 stated under the full accrual basis.

	Governmental Activities	
	2007	2006
Current and other assets	\$ 56,234	\$ 47,976
Capital assets	458,252	469,365
Total assets	514,486	517,341
Current and other liabilities	2,478	18,768
Net assets		
Invested in capital assets, net of related debt	458,252	469,365
Unrestricted	<u>53,756</u>	<u>29,208</u>
Total net assets	<u>\$ 512,008</u>	<u>\$ 498,573</u>

QUINCY FIRE ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets during the current year as compared to the prior year, under the modified accrual basis of accounting:

	Governmental Funds	
	2007	2006
Revenue		
Intergovernmental support	\$ 155,436	\$ 156,661
Interest	806	429
Contributions	24,636	28,289
Miscellaneous	<u>4,805</u>	<u>2,870</u>
Total revenue	185,683	188,249
Program expenses		
Public safety - fire protection	<u>161,135</u>	<u>187,270</u>
Excess (deficiency)	<u>\$ 24,548</u>	<u>\$ 979</u>

The following table shows, in a condensed format, the changes in net assets as of the current year as compared to the prior year as required by GASB 34 stated under the full accrual basis of accounting.

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 155,436	\$ 156,661
Grants and contributions	24,636	28,289
General revenues		
Investment earnings	806	429
Miscellaneous	<u>4,805</u>	<u>2,870</u>
Total revenues	185,683	188,249
Expenses		
Public safety - fire protection	<u>172,248</u>	<u>184,071</u>
Change in net assets	<u>\$ 13,435</u>	<u>\$ 4,178</u>

QUINCY FIRE ASSOCIATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Association's Funds

Our analysis of the Association's major funds begins on page 8, following the government-wide financial statements. The fund financial statements provide detailed information about the significant funds, not the Association as a whole. Major funds for the fiscal year ended March 31, 2007 include the General Fund. The General Fund pays for all of the Association's public safety services and is funded primarily by charges to participating governmental units.

General Fund Budgetary Highlights

As shown in the required supplemental information, the Association budgeted a breakeven in the original budget, and an increase of \$11,802 in the amended budget. Actual operating results ended up as an increase of \$24,578.

Capital Assets and Debt Administration

During the year ended March 31, 2007, the Association paved a parking lot for \$17,913 and purchased a fire trailer for \$7,045, which were funded by the participating governmental units and contributions.

The Association has no long-term debt obligations.

Contacting the Association's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Association's finances and to show the Association's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Association office.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

QUINCY FIRE ASSOCIATION

STATEMENT OF NET ASSETS
MARCH 31, 2007

	<u>Primary Government</u>	<u>Governmental Activities</u>
ASSETS		
Cash and cash equivalents	\$ 48,243	
Due from other governmental units	-	
Prepaid and other assets	7,991	
Capital assets - net	<u>458,252</u>	
Total assets		514,486
LIABILITIES		
Accounts payable		2,478
Due to other governmental units		<u>-</u>
Total liabilities		<u>2,478</u>
NET ASSETS		
Invested in capital assets, net of related debt		458,252
Unrestricted		<u>53,756</u>
Total net assets	<u>\$ 512,008</u>	

See accompanying notes to financial statements

QUINCY FIRE ASSOCIATION

STATEMENT OF ACTIVITIES YEAR ENDED MARCH 31, 2007

				Net (Expense) Revenue and Changes in Net Assets
<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
Public safety	<u>\$ 172,248</u>	<u>\$ 155,436</u>	<u>\$ 24,636</u>	\$ 7,824
General revenues:				
Unrestricted investment earnings				806
Miscellaneous				<u>4,805</u>
Total general revenues				<u>5,611</u>
CHANGE IN NET ASSETS				13,435
NET ASSETS - BEGINNING				<u>498,573</u>
NET ASSETS - ENDING				<u>\$ 512,008</u>

See accompanying notes to the financial statements

FUND FINANCIAL STATEMENTS

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUNDS
BALANCE SHEET
MARCH 31, 2007

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 48,243
Due from other governmental units	-
Prepaid expenditures	<u>7,991</u>
Total assets	<u>\$ 56,234</u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 2,478
Due to other governmental units	<u>-</u>
Total liabilities	2,478
 FUND BALANCE	
Designated for fire truck	8,718
Designated for fire barn	4,654
Designated for uniforms	3,880
Designated for training and fire safety	1,615
Unreserved, undesignated	<u>34,889</u>
Total fund balance	<u>53,756</u>
 Total liabilities and fund balance	 <u>\$ 56,234</u>

See accompanying notes to the financial statements

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUNDS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
MARCH 31, 2007

Total governmental fund balances	\$	53,756
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Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities
are not financial resources and therefore are
not reported in the funds.

Governmental capital assets	\$	598,547	
Less accumulated depreciation		<u>(140,295)</u>	<u>458,252</u>
Net assets of governmental activities			<u>\$ 512,008</u>

See accompanying notes to the financial statements

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
YEAR ENDED MARCH 31, 2007

	<u>General Fund</u>
REVENUES	
Intergovernmental support	\$ 155,436
Interest	806
Contributions	24,636
Miscellaneous	<u>4,805</u>
Total revenues	185,683
EXPENDITURES	
Public safety - fire protection	136,177
Capital outlay	<u>24,958</u>
Total expenditures	<u>161,135</u>
EXCESS OF REVENUES OVER EXPENDITURES	24,548
FUND BALANCE - BEGINNING OF YEAR	<u>29,208</u>
FUND BALANCE - END OF YEAR	<u>\$ 53,756</u>

See accompanying notes to the financial statements

QUINCY FIRE ASSOCIATION

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2007

Net change in fund balances - total governmental funds	\$	24,548
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Amounts reported for governmental activities in the
statement of activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities, the cost of those
assets is depreciated over their estimated useful lives.

Expenditures for capital assets	24,958
Depreciation expense	<u>(36,071)</u>

Change in net assets of governmental activities	\$	<u>13,435</u>
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See accompanying notes to the financial statements

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Quincy Fire Association conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The more significant accounting policies establishing GAAP and used by the Association are discussed below.

Reporting Entity

The Quincy Fire Association, by law, is not a separate entity, but a fund shared by the participating governmental units. The Quincy Village Board, the Algansee Township Board, the Butler Township Board, and Quincy Township Board have allowed the Association to report as a separate unit.

The Quincy Fire Association operates under a Chairman - joint board form of government and provides the following services as authorized under its inter-local agreement:

Provide fire and rescue protection services to the Village of Quincy and the Townships of Algansee, Butler, and Quincy.

Basis of Accounting - Government-Wide Financial Statements - The statement of net assets and the statement of activities display information about the Association as a whole. They include all funds of the reporting entity except for fiduciary funds. These statements distinguish between activities that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in preparation of the proprietary fund financial statements but differs from the manner in which the governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the Association and for each governmental and component unit program. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Some functions, such as administrative and financial services include expenses that are, in essence, indirect expenses of other functions. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Association.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available, it is the Association's policy to use restricted resources first, then unrestricted resources as they are needed.

QUINCY FIRE ASSOCIATION

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Basis of Accounting - Fund Financial Statements - Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary and fiduciary. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. A fund is considered major if it is the primary operating fund of the Association or meets the following criteria:

- * Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- * Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The Association reports the following major funds:

General Fund - The general fund is the general operating fund of the Association. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from other governmental units.

The following is a description of the major category and fund type within that category:

Governmental Fund - All governmental funds are accounted for using modified accrual basis of accounting and the current financial resources measurement focus. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual (i.e., when they become both measurable and available). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable.

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - "Measurable" means the amount of the transaction can be determined and "available" means collectable within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Association considers intergovernmental support, interest revenue and charges for sales and services as susceptible to accrual if the amount was due on or before fiscal year end and collection was within one year after year end. Reimbursements due for state and federally funded projects are accrued as revenue at the time the expenditures are made, or when received in advance, deferred until expenditures are made. All other revenue is recognized as payments are received.

Expenditure Recognition - The measurement focus of governmental accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized when paid. Allocation of costs, such as depreciation and amortization, are not recognized in the governmental funds.

The following is a description of the governmental fund types of the Association:

General Fund - The general fund is the general operating fund of the Association. The fund is used to account for all financial transactions except those required to be accounted for in another fund. Revenues are derived primarily from other governmental units.

Budgets and Budgetary Accounting - Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the general fund. The Association adopts its budget in accordance with Public Act 621, the Uniform Budgeting and Accounting Act, which mandates an annual budget process and an annual appropriation act to implement the budget.

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Deposits and Investments - Statutes authorize the primary government and component units to invest in the following:

- * In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
- * In certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation, a saving and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
- * In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- * In United States government or federal agency obligation repurchase agreements.
- * In banker's acceptances of United States banks.
- * In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- * In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." All other outstanding balances between funds are reported as "due to/due from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

All trade receivables are shown as net of allowance for uncollectible amounts.

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Prepaid Items - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets and Depreciation - Capital assets, which include property, buildings and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Association as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or construction. Contributed assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are also capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

	<u>Depreciable Life-Years</u>
Land improvements	7-15
Buildings and improvements	15-40
Machinery and equipment	5-20
Vehicles	5-20

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

NOTE 2 - CASH AND CASH EQUIVALENTS

The Association uses financial institutions for cash and cash equivalent purposes, which are in accordance with statutory authority.

The accounts maintained in the financial institutions are checking, savings and certificate of deposit.

At March 31, 2007, the carrying amount of the Association's deposits was \$48,243 and the bank balance was \$57,949. The differences between the balances are the result of checks issued by the Association but not yet presented for payment. The risk exposure of all cash and cash equivalents at March 31, 2007, is as follows:

Insured	\$ 57,949
Uninsured	<u>-</u>
Total cash and cash equivalents	<u>\$ 57,949</u>

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended March 31, 2007, was as follows:

	As Amended Balance April 1, 2006	Additions	Disposals	Balance March 31, 2007
<u>Primary Government</u>				
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Capital assets, being depreciated:				
Vehicles	225,693	-	-	225,693
Buildings and improvements	231,800	-	-	231,800
Land improvements	-	17,913	-	17,913
Machinery and equipment	<u>41,096</u>	<u>7,045</u>	<u>-</u>	<u>48,141</u>
Subtotal	498,589	24,958	-	523,547
Accumulated depreciation				
Vehicles	50,700	25,217	-	75,917
Buildings and improvements	47,359	5,795	-	53,154
Land improvements	-	597	-	597
Machinery and equipment	<u>6,165</u>	<u>4,462</u>	<u>-</u>	<u>10,627</u>
Subtotal	<u>104,224</u>	<u>36,071</u>	<u>-</u>	<u>140,295</u>
Net capital assets being depreciated	<u>394,365</u>			<u>383,252</u>
Net capital assets	<u>\$ 469,365</u>			<u>\$ 458,252</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Public safety	<u>\$ 36,071</u>

QUINCY FIRE ASSOCIATION

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2007

NOTE 4 - RISK MANAGEMENT

The Association is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Association has purchased commercial insurance for most risks of loss to which it is exposed. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 5 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Association management and adopted by the Association Board; subsequent amendments are approved by the Association Board. Unexpended appropriations lapse at year-end; encumbrances are not included as expenditures. During the current year, the budget was amended.

The budget has been prepared in accordance with generally accepted accounting principles.

State statutes provide that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Association were adopted on a fund level basis.

During the year ended March 31, 2007, the Association incurred \$1,466 expenditures in excess of the amounts appropriated at the legal level of budgetary control.

REQUIRED SUPPLEMENTAL INFORMATION

QUINCY FIRE ASSOCIATION

REQUIRED SUPPLEMENTAL INFORMATION

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
REVENUES				
Intergovernmental support				
Charges for services				
Algansee Township	\$ 35,756	\$ 40,413	\$ 40,413	\$ -
Butler Township	23,379	27,865	23,379	(4,486)
Quincy Township	48,133	57,038	56,433	(605)
Quincy Village	<u>30,255</u>	<u>41,017</u>	<u>35,211</u>	<u>(5,806)</u>
Total intergovernmental support	137,523	166,333	155,436	(10,897)
Interest	-	333	806	473
Contributions	-	-	24,636	24,636
Miscellaneous	<u>-</u>	<u>4,805</u>	<u>4,805</u>	<u>-</u>
Total revenues	137,523	171,471	185,683	14,212
EXPENDITURES				
Public safety - fire protection				
Wages - Chief	9,000	9,000	9,000	-
Wages - Assistant Chief	4,000	4,000	4,000	-
Wages - Firemen	44,640	30,180	29,895	285
Payroll taxes	3,700	3,700	3,626	74
Life insurance	1,256	1,256	1,256	-
Physicals	1,000	110	110	-
Workman's Comp insurance	3,000	3,931	3,748	183
Fire prevention	1,000	1,126	12,486	(11,360)
Postage/Freight	100	100	-	100
Supplies	5,000	2,740	2,734	6
Miscellaneous	100	4,110	1,579	2,531
Property and liability insurance	10,627	10,627	10,109	518
Professional fees	3,000	2,700	2,700	-
Advertising	100	-	-	-
Gas and oil	3,500	2,280	2,274	6
Telephone	2,000	2,041	2,041	-
Heat	4,000	3,310	3,305	5
Electric	4,000	4,000	3,996	4
Water and sewer	600	325	322	3

Continued on next page

QUINCY FIRE ASSOCIATION

REQUIRED SUPPLEMENTAL INFORMATION

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

YEAR ENDED MARCH 31, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Truck maintenance	6,000	6,600	6,396	204
Radio maintenance	1,000	1,100	1,093	7
Equipment maintenance	4,000	5,445	5,445	-
Building maintenance	3,000	22,079	22,079	-
Training	4,000	5,556	5,552	4
Clothing allowance	5,400	4,510	4,505	5
Dues and subscriptions	1,500	1,810	1,803	7
Equipment	12,000	26,419	20,661	5,758
Vehicle	-	614	420	194
Total expenditures	<u>137,523</u>	<u>159,669</u>	<u>161,135</u>	<u>(1,466)</u>
EXCESS OF REVENUES OVER EXPENDITURES	-	11,802	24,548	12,746
FUND BALANCE - Beginning of year	<u>29,208</u>	<u>29,208</u>	<u>29,208</u>	<u>-</u>
FUND BALANCE - End of year	<u>\$ 29,208</u>	<u>\$ 41,010</u>	<u>\$ 53,756</u>	<u>\$ 12,746</u>



an & Paulsen, P.C.

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Members of the Board Quincy Fire Association

In planning and performing our audit of the financial statements of Quincy Fire Association, Quincy, Michigan for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered its internal control as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

The relatively small number of people involved in the accounting functions of the Association makes it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrold T. Norman (1941-1982)

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Association's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Association has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Association's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Association's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Association to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Association's internal control. We believe that the deficiencies described above are material weaknesses.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Norman J. Paulson, P.C.

July 27, 2007